FY 2015 CRA Model
(Model Files, Cost Matrices, and Reports)
(Public Version)

I. PREFACE

A. Purpose and Content

USPS-FY15-31 contains the Fiscal Year 2015 Cost and Revenue Analysis (CRA) Model along with associated cost matrices and reports. Files are provided in Excel format.

B. Predecessor Document

USPS-FY14-31

C. Corresponding Non-Public Document

USPS-FY15-NP13, FY 2015 CRA Model (Model Files, Cost Matrices, and Reports)

D. Methodology

The CRA model documented in USPS-FY15-31 follows the methods applied in the Commission's FY 2014 Annual Compliance Determination (ACD) with the following modifications:

1. Distribution Key (DK) 998 for Mobile Delivery Device (MDD) was added to component 98.2 and is calculated in the Model.
2. DK 998 MDD was added to workbook FY15.cntl, tab 'DK Master'. Columns 'Addends', 'Used in A Module', and 'Used in F Module' were marked with an 'X'.
3. DK 998 MDD was added to workbook FY15.cntl, tab 'DK Addends'. Labor rows involving cost segments 6, 7, and 10 were marked with and 'X'.
4. Component 1205 was renamed MDD in component 98.7. DK 998 MDD is applied to Capital in 'F Module' using DA routine.
5. Component 1235 was renamed MDD in component 98.8. DK 998 MDD is applied to Maintenance Labor in 'A Module' using DA routine.
6. Component 1265 was renamed MDD in component 98.9. DK 998 MDD is applied to Parts and Supplies in 'A Module' using DA routine.
7. Modify row for MDD component 1205 under section for Distribution of Capital Components in workbook FY15.cntl, tab 'DK Addends'. Column for DK 1229, Total Capital Equipment, was marked with an 'X'. Also, 'X' was removed from column for DK 1228, Capital for Mail Processing Equipment.

8. Modify row for MDD component 1235 under section for Distribution of Maintenance Labor in workbook FY15.cntl, tab 'DK Addends'. Column for DK 1259, Total Maintenance Labor, was marked with an 'X'. Also, 'X' was removed from column for DK 1258, Maintenance Labor for Mail Processing Equipment.
9. Modify row for MDD component 1265 under section for Distribution of Parts and Supplies in workbook FY15.cntl, tab 'DK Addends'. Column for DK 1289, Total Parts and Supplies, was marked with an 'X'. Also, 'X' was removed from column for DK 1288, Parts and Supplies for Mail Processing Equipment.
10. Component 223 named City Delivery Special Purpose Routes was added to CS 20.2.1, Vehicle Depreciation. DK 578 is used to distribute costs for this component in B Module using DA routine.
11. Component 221 was reactivated and named City Delivery Letter Routes to cost segment 20.2.1. DK 579 is used to distribute costs for this component in B Module using DA routine.
12. Components 83 and 92 were renamed City Delivery Letter Routes in cost segments 12.1 and 12.2 respectively. DK 579 is used to distribute costs from these components in the A Module using DA routine.
13. Components 86 and 95 (named City Delivery Network Travel) have been removed from cost segments 12.1 and 12.2 respectively.
14. Components 222 and 225 (named City Delivery Activities and City Delivery Network Travel respectively) have been removed from cost segment 20.2.
15. Components 42 and 254 (Clerks CAG G Offices and Cost Segment 4 Total respectively) were removed and their contents are now part of components 35 (Mail Processing) and 40 (Window Services).

An additional methodological change that affects Standard Mail products as a Final Adjustment in the D Report merits further explanation.

The costs reported in the FY 2015 CRA for Standard Mail Carrier Route, Standard Mail Flats, and Standard Mail High Density/Saturation Flats and Parcels reflect a final adjustment made to the costs from the Cost Segments and Components Report (USPS-FY15-2) related to cost measurement issues for Flats Sequencing System (FSS) bundles of Standard Mail.

As explained in the text accompanying Docket No. ACR2014, USPS-FY14-45, the preparation rules implemented in January 2014 allowed pieces in 5-digit scheme FSS bundles to claim Standard Mail Carrier Route rates, if they would have been eligible to do so in the absence of the FSS preparation rules, without bearing a Standard Mail Carrier Route rate marking. The result is that in the absence of adjustments, the In-Office Cost System (IOCS) would assign all tallies of FSS-prepared Standard Mail to the Standard Mail Flats product, even though most of the FSS-prepared pieces actually belong to the Standard Mail Carrier Route and Standard Mail High Density/Saturation Flats and Parcels products (USPS-FY14-45 Preface at 1).

Affected tallies with observed FSS markings are adjusted within IOCS—the tallies are split to the Standard Mail Flats, Standard Mail Carrier Route, and Standard Mail High Density/Saturation Flat/Parcel products based on their relative pieces in FSS bundles. Notwithstanding the adjustment within IOCS, the Standard Mail Flats product showed anomalous cost growth in FY2014. Analysis of the Standard Mail Flats IOCS data in FY 2014 showed that Standard Mail Flats costs were overstated because FSS markings were under-recorded in IOCS (*Id.* at 3). Further cost adjustments were calculated in USPS-FY14-45 to take into account an estimate of unobserved FSS tallies in IOCS. The adjustments, calculated in Tables 4-5 of USPS-FY14-45, were incorporated in the Commission's calculation of Standard Mail Flats costs and cost coverage in the FY 2014 Annual Compliance Determination (ACD). See PRC-LR-ACR2014/1, workbook 14 Alt Standard Costs, tab Sheet1, cell O66 (March 27, 2015).

The January 2014 marking rules leading to the adjustment were also in place for part of FY 2015, specifically through May 31, 2015. The final adjustments made in the FY 2015 CRA reflect the estimated extent of unidentified FSS tallies in IOCS for that portion of FY 2015, using identical methods to USPS-FY14-45, but updated with FY 2015 input data. The calculations which update Tables 1, 4, and 5 of USPS-FY14-45 are included in this folder in Excel workbook Standard_FSS_Final_Adjustment_FY15. The FY 2015 final adjustment reduces Standard Mail Flats costs by $34.2 million, and increases costs for Standard Mail Carrier Route and Standard Mail High Density/Saturation Flats/Parcels by $30.3 million and $3.9 million, respectively. The final adjustments are smaller than the FY 2014 adjustments from USPS-FY14-45 largely because FY 2015 IOCS data show higher rates of recording FSS markings for 5-digit scheme bundles in FSS zones, compared to FY 2014.

Beginning May 31, 2015, all pieces in FSS bundles are part of the Standard Mail Flats product. See Order No. 2472, Docket No. R2015-4 (May 7, 2015). The classification change restored the alignment of observable Standard Mail markings and product categories for IOCS. Thus, both FSS marking-related adjustments were discontinued for tallies recorded on or after June 1, 2015. Furthermore, the Postal Service does not anticipate that such a final adjustment will be necessary for FY 2016 or future fiscal years.

E. Inputs/Outputs

The tables below show the ACR folders that serve as inputs/outputs to/from USPS-FY15-31.

Input ACR Folders

Description	ACR Folder
Cost Segment and Components Reconciliation to Financial Statements and Account Reallocations	USPS-FY15-5
Cost Segment 3 Cost Pools and Other Related Information	USPS-FY15-7
Equipment and Facility Related Costs	USPS-FY15-8
Special Cost Studies Workpapers – Special Services	USPS-FY15-28
FY 2015 Market Dominant NSA Materials	USPS-FY15-30
CRA "B" Workpapers	USPS-FY15-32
In-Office Cost System (IOCS) Documentation	USPS-FY15-37
Revenue, Pieces, and Weight Report	USPS-FY15-42

Output ACR Folders

Description	ACR Folder
FY 2015 Public Cost and Revenue Analysis (PCRA) Report	USPS-FY15-1
FY 2015 Public Cost Segments and Components Report	USPS-FY15-2
FY 2015 Non-Operation Specific Piggyback Factors	USPS-FY15-24
FY 2015 Competitive Products Fund Reporting Materials	USPS-FY15-39

II. ORGANIZATION

The contents of USPS-FY15-31 are organized in electronic folders as follows:

1. CRA Model

   USPS-FY15-31\Models\FY15.CRA.Model.Public.xls   CRA run module
   USPS-FY15-31\Models\FY15.CRA.DIM.Public.xls   CRA data input module
   USPS-FY15-31\Models\FY15.cntl.Public.xls   CRA control table/data source

2. Cost Files

   USPS-FY15-31\Costs\FY15.I.Public.xls   Input matrix
   USPS-FY15-31\Costs\FY15.Mod1.Public.xls   GDEI calcs and output matrix
   USPS-FY15-31\Costs\FY15.A.Public.xls   "A" calculations and output matrix
   USPS-FY15-31s\Cost\FY15.F.Public.xls   "F" calculations and output matrix
   USPS-FY15-31\Costs\FY15.B.Public.xls   "B" calculations and output matrix

3. Reports

   USPS-FY15-31\Reports\FY15.IRpt.Public.xls   Input report
   USPS-FY15-31\Reports\FY15.ARpt.Public.xls   A" report (without PESSA costs)
   USPS-FY15-31\Reports\FY15.FRpt.Public.xls   Factor report
   USPS-FY15-31\Reports\FY15.BRpt.Public.xls   "B" report (PESSA detail)
   USPS-FY15-31\Reports\FY15.CRpt.Public.xls   Cost segs and comp report
   USPS-FY15-31\Reports\FY15.DRpt.Public.xls   Final adjustments

4. Standard Mail FSS Adjustment

   USPS-FY15-31\FSS Adjustment\Standard_FSS_Final_Adjustment_FY15.xlsx

(For convenience, identical versions of this file are included in both the public and nonpublic versions of this folder.)